



Submitted via email to reg-comm@fca.gov

June 24, 2015

Mr. Barry F. Mardock
Deputy Director, Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

RE: Proposed Rule – Federal Agricultural Mortgage Corporation (Farmer Mac)
(80 FR 15931, published on March 26, 2015)

Dear Mr. Mardock:

Thank you for the opportunity to comment on the Farm Credit Administration's ("FCA" or "Agency") proposed rule on Farmer Mac governance, disclosures, standards of conduct and risk management. We appreciate the Agency's efforts to update the Farmer Mac regulations on these topics and offer the following comments and suggestions in an effort to clarify and improve the proposed regulation language.

Indemnification

Proposed Section 651.2 purports to reduce the potential for "over-indemnification" by requiring notice to the Office of Secondary Market Oversight (OSMO) prior to any indemnification payment to Farmer Mac directors, officers or employees. While the intent of this section is worthwhile, it could cause undue hardship or unnecessary liability for Farmer Mac in situations where it is already obligated to pay, such as an arbitration award or legal judgment, but FCA concludes the payment should not be made. This process creates uncertainty for covered individuals and could put Farmer Mac in the awkward position of choosing between complying with a court order or with an FCA directive. If the Agency has concerns about indemnification payments, these concerns should be raised much earlier in the process to avoid this result. A better option would be to eliminate this notice provision and oversee the Farmer Mac indemnification process with periodic and thorough examination activities.

Director Elections

Section 651.30(b)(3) imposes a new requirement that director nominations be approved by an affirmative vote of the majority of stockholders in the class represented by the candidate. This provision seems contrary to the stated goal of "an inclusive and fair process as potential directors are considered for nomination". Under the proposed regulation, nominees would not be put forward on the ballot unless a majority of stockholders in a particular class vote to approve their nomination. As a practical matter, this means the director elections occur at the nomination stage, rather than on the ballot. It is not clear what purpose such a provision would serve, or how it would improve the nomination process to make it more participatory for Farmer Mac stockholders. It seems this requirement forces stockholders to endorse a candidate in advance of the qualification and balloting process. We suggest that Section 651.30(b)(1) remain, which would provide stockholders the ability to submit candidates for consideration, but that Section 651.(b)(3) requiring a vote on any nominations be removed from the final regulation.



Risk Management

Part 653 contains detailed requirements for a risk management program, including provisions for a risk management committee and a risk officer. These provisions, while not unreasonable, are very detailed and would be better suited to other forms of guidance, such as an informational memorandum, booklet or examination guidance. The science of risk management is an emerging discipline subject to rapid change and advancements. By including such detailed provisions in the regulation, FCA may hamper Farmer Mac's ability to keep pace with the best practices in this evolving field.

Definitions

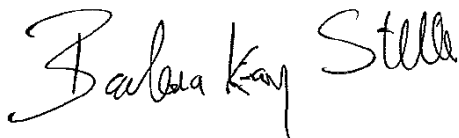
Sections 650, 651, 653 and 655 all contain definition sections with many identical defined terms. This structure is unnecessarily cumbersome. We recommend these definitions be consolidated into one section to avoid duplication and potential confusion about whether any difference in their meaning is intended. For instance, Section 650.4 requires that "agents" be made available to OSMO during an examination or supervisory action, but the term "agents" is not defined until later in Section 651.1, which states that the definitions "apply to this part". The Agency should consider reorganizing these parts to include overall definitions used for all parts or reconcile the definitions so that all defined terms used in a particular part are defined in that same part. We also note that the definition of "Officer" in Section 651.1 does not include "Risk Officer", which seems to be an oversight, given the description and scope of duties outlined for this position in Section 653.3.

Reporting

Sections 655.10 and 655.15 make reference to the "SEC filings web site, EDGAR". The specific reference to the current website name may become outdated. The regulation should refer generally to the SEC website, without this reference by name, to avoid the need to update the regulation for such a minor issue if the name changes in the future.

We appreciate the opportunity to comment and FCA's consideration of our comment letter. We are willing to discuss our comments with FCA representatives or provide any additional information that FCA may deem helpful. If you have questions or require additional information, please contact me.

Sincerely,



Barbara Kay Stille
Senior Vice President & General Counsel
AgriBank, FCB